

Data Sheet

USAID Mission:	Mongolia
Program Title:	Private Sector-Led Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	438-001
Proposed FY 2004 Obligation:	\$7,241,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$7,500,000 ESF
Year of Initial Obligation:	FY 1994
Year of Final Obligation:	FY 2009

Summary: A new USAID country strategy was approved in Washington in May 2003 and took effect starting October 1, 2003. The document provides the framework for the USAID program in Mongolia over the next five years. Based on that strategy, the main focus of USAID activity will be to (a) make it easier for private businesses to operate; (b) improve the competitiveness of private Mongolian firms and industries; and (c) expand the range of business opportunities that are available for poorer Mongolians living in both rural and urban areas of the country.

Inputs, Outputs, Activities:

FY 2004 Program:

USAID will pursue opportunities and address constraints at three main levels. First, policy advice and training will improve macro economic management as well as the business environment in which private companies operate. Second, partnerships with individual firms and industries will make Mongolian businesses more competitive. Third, less advantaged Mongolians will participate in a broader range of business development initiatives.

Improved enabling environment for private sector growth (\$2,600,000 ESF). The new USAID-funded Economic Policy Reform and Competitiveness (EPRC) project is the main mechanism for addressing macro economic issues and improving Mongolia's investment climate. Working closely with the Prime Minister's office, the program will build on Mongolia's credible macro economic performance over the last two years. Specific advice and training will focus on the financial sector (including banking, insurance and mortgages); trade and investment (including opportunities in Europe and East Asia); energy (including commercialization of the energy sector); and the overall business climate (including steps to improve the regulatory environment and make it more efficient). The EPRC project is implemented by Chemonics in partnership with The Asia Foundation, The Services Group (TSG) and PA Consulting.

More competitive industries and sectors (\$1,400,000 ESF). Uniquely, EPRC works with the government on policy issues while also helping individual Mongolian firms and sectors to become more competitive. This approach strengthens private-public sector partnerships. It also develops links between the abstract policy decisions made by government and the real world of private entrepreneurs. Initial efforts focus on cashmere and tourism. Other areas such as light industry, meat and information technology will be considered. The central organizing theme will be to make Mongolia more competitive. The EPRC project is implemented by Chemonics in partnership with The Asia Foundation, The Services Group and PA Consultants.

Expanded opportunities for marginalized Mongolians (\$3,241,000 ESF). Phase II of USAID/Mongolia's long-standing Gobi Initiative will be launched in early 2004. As with Gobi I, that program will focus on business development in the Gobi region. Dozens of herder groups will benefit, along with current and potential entrepreneurs living in Mongolia's small provincial towns. Communications and outreach will continue, further expanding an audience of readers, listeners and viewers that now measures in the hundreds of thousands. At the same time, the Ger Initiative focused on the "peri-urban" fringes of

Ulaanbaatar, Darkhan and Erdenet will continue. Here too, the emphasis is on practical approaches that expand businesses, links them to financial services and helps generate new jobs. The Gobi Initiative is implemented by Mercy Corps International, with PACT taking a lead role on all media services. The Ger Initiative is implemented by CHF.

FY 2005 Program:

Programs undertaken in FY 2004 will be strengthened and expanded. They include:

Improved enabling environment for private sector growth (\$2,800,000 ESF). Following parliamentary elections in June 2004, USAID will work closely with the new government to strengthen Mongolia's economic performance and expand trade and investment. Mongolia's rapidly growing minerals sector will almost certainly continue to change the country's development terrain. USAID will assist by promoting policies that build on the strengths of Mongolia's emerging private sector while also promoting broad-based economic growth.

More competitive industries and sectors (\$1,600,000 ESF). Partnerships with private sector firms, companies and sectors will be further expanded, in part by deepening support for groups that can speak for business as a whole. USAID also expects to support establishment of an innovative new Mongolian Business Trust that provides business services, advocates policy reform, promotes competitiveness and receives private sector support.

Expanded opportunities for marginalized Mongolians (\$3,100,000 ESF). Business services will reach more Mongolians living in urban as well as rural areas. In particular, USAID will identify current and potential entrepreneurs, provide training, develop business plans, expand marketing and help access financing. Outreach programs will also expand, covering not only the print media but also radio and television. This will help ensure that Mongolians everywhere can access the kind of information needed to make a market economy work efficiently.

Performance and Results: USAID programs had substantial impact in FY 2003. Results in early FY 2004 have also been encouraging. For example, USAID advisors helped privatize two of Mongolia's three largest banks--Trade and Development Bank (TDB) and the Agricultural Bank. Together, the sales provided the government with nearly \$20 million while holding out the promise of additional \$40 million in private investment in coming years. TDB was bought by a US/Swiss consortium, while Agricultural Bank was purchased by a Japanese company. Also, by December 2003 the government-owned insurance company, Mongol Datgal, was in the process of being sold to a Russian group for \$5.8 million, five times the minimum asking price. With each successive privatization, the process becomes more competitive and attracts more investor interest.

Other achievements during FY 2003 included the registration of a collective mark for Mongolian cashmere that is now being introduced in international markets; a strengthened Energy Regulatory Authority as a catalyst for commercialization within Mongolia's energy sector; and improvements in the Prime Minister's open government web site (www.open-government-mn), an increasingly useful tool for both dialogue and transparency.

Finally, the GER Initiative and Gobi Initiative report considerable impact at a grassroots level. FY 2003 marked the start of the new GER Initiative, focused on "ger communities" surrounding Mongolia's three largest urban centers--Ulaanbaatar, Darkhan and Erdenet. Already, the program has helped create five new businesses, expand 37 existing businesses, facilitate 100 jobs and provide \$100,000 in new investment. Staff also successfully promoted a 25% reduction in interest rates to first time clients at several banks. Meanwhile, the Gobi Initiative is pioneering important changes in attitudes and approaches to business in rural Mongolia. During FY 2003, an additional 33 cooperatives were formed, bringing the total to 57. Innovative media programs also continued, including Rural Business News (the largest circulation periodical in Mongolia) and several radio programs such as MarketWatch, WeatherWatch, PolicyWatch and Herder from the Future.

US Financing in Thousands of Dollars

Mongolia

438-001 Private Sector-Led Economic Growth	DA	ESF	FSA
Through September 30, 2002			
Obligations	5,569	26,863	14,289
Expenditures	5,569	17,387	13,782
Unliquidated	0	9,476	507
Fiscal Year 2003			
Obligations	0	7,300	0
Expenditures	0	5,625	506
Through September 30, 2003			
Obligations	5,569	34,163	14,289
Expenditures	5,569	23,012	14,288
Unliquidated	0	11,151	1
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2004 NOA			
Obligations	0	7,241	0
Total Planned Fiscal Year 2004			
Obligations	0	7,241	0
Proposed Fiscal Year 2005 NOA			
Obligations	0	7,500	0
Future Obligations	0	0	0
Est. Total Cost	5,569	48,904	14,289